

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

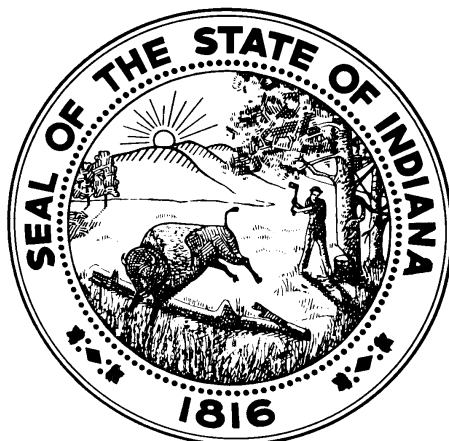
EXAMINATION REPORT

OF

CITY OF BEDFORD

LAWRENCE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
01/13/2009

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---------------------------------|---|--|
| Clerk-Treasurer | Donna M. Brumbaugh Julie Blackwell-Chase | 01-01-04 to 12-31-07 01-01-08 to 12-31-11 |
| Mayor | Joe D. Klumpp Shawna M. Girgis | 01-01-04 to 12-31-07 01-01-08 to 12-31-11 |
| President of the Common Council | Mark Scherschel Byron L. Buker | 01-01-06 to 12-31-07 01-01-08 to 12-31-08 |
| President of the Board of Works | Joe D. Klumpp Shawna M. Girgis | 01-01-06 to 12-31-07 01-01-08 to 12-31-08 |



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF BEDFORD, LAWRENCE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Bedford (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 18, 2008

CITY OF BEDFORD
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

| | Cash and Investments 01-01-07 | Receipts | Disbursements | Cash and Investments 12-31-07 |
|---|-------------------------------------|----------------------|----------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 1,103,511 | \$ 11,530,064 | \$ 12,306,141 | \$ 327,434 |
| Levy Excess | 41,791 | - | 29,904 | 11,887 |
| Motor Vehicle Highway | 555,937 | 1,746,906 | 2,050,072 | 252,771 |
| Local Road and Street | 42,763 | 105,579 | 108,000 | 40,342 |
| Park and Recreation | 42,114 | 2,292,755 | 2,113,858 | 221,011 |
| FEMA Grant | 247 | 4,695 | 4,942 | - |
| Federal Grant | - | 1,386 | - | 1,386 |
| Law Enforcement Continuing Education | 16,853 | 12,424 | 19,619 | 9,658 |
| Non-Reverting Electronic Map Generation | 937 | 24 | - | 961 |
| Parks Non-Reverting Operating | 5,249 | 60,228 | 50,234 | 15,243 |
| Golf Carts Non-Reverting | - | - | - | - |
| Otis Park Trust | 3,849 | 6,115 | 5,000 | 4,964 |
| Non-Reverting Funds Otis Park | 4,356 | 111,513 | 76,642 | 39,227 |
| Non-Reverting Funds John Lowery Pool | 4,076 | 6,779 | 5,000 | 5,855 |
| K-9 | 487 | 400 | 879 | 8 |
| 2003 Dare | 4,762 | 12,455 | 11,381 | 5,836 |
| Drug Free | 78 | - | - | 78 |
| Crime Control | 5,000 | - | - | 5,000 |
| Emergency Services Unit | 50 | - | 50 | - |
| Fire Prevention | 1,907 | 5,425 | 5,895 | 1,437 |
| Housing Rehabilitation HD 004-002 | 25,556 | 8,072 | - | 33,628 |
| Micro Loan Program | 14,433 | 90 | 10,330 | 4,193 |
| Alarms | 229 | 10 | - | 239 |
| Otis Bandshell CF-04-237 | 6,758 | - | - | 6,758 |
| Depot Contract R27880 | 433 | 14,092 | 9,658 | 4,867 |
| Convention Center Planning Grant | 6,000 | 64,516 | 70,500 | 16 |
| Fire Equipment Debt | - | 440,000 | - | 440,000 |
| Tax Incremental Financing Debt 1 | - | 319,260 | - | 319,260 |
| Tax Incremental Financing Debt 2 | - | 79,751 | - | 79,751 |
| Cumulative Capital Improvement | 126,275 | 295,358 | 281,266 | 140,367 |
| Cumulative Capital Development | 685,972 | 988,019 | 1,395,514 | 278,477 |
| Non-Reverting Transit Capital | 111,936 | 142,930 | 153,112 | 101,754 |
| Fire Equipment | - | 20,000 | - | 20,000 |
| TIF Capital Project | - | 2,799,215 | - | 2,799,215 |
| Proprietary Funds: | | | | |
| Wastewater Utility - Operating | 469 | 2,044,201 | 2,044,440 | 230 |
| Wastewater Utility - Depreciation | 30,520 | 296,400 | 244,575 | 82,345 |
| Wastewater Utility - Insurance | 46,081 | 96,616 | 67,131 | 75,566 |
| Wastewater Utility - Bond and Interest | 391,146 | 956,495 | 690,525 | 657,116 |
| Wastewater Utility - Cash Reserve | 61,350 | - | - | 61,350 |
| Wastewater Utility - Bio Solid | 82,449 | 64,000 | 114,213 | 32,236 |
| Water Utility - Operating | 68,641 | 2,843,893 | 2,668,254 | 244,280 |
| Water Utility - Bond and Interest | 583,201 | 959,380 | 951,880 | 590,701 |
| Water Utility - Depreciation | 155,228 | 278,652 | 225,694 | 208,186 |
| Water Utility - Customer Deposit | 161,906 | 179,360 | 170,751 | 170,515 |
| Water Utility - Tower | 56,360 | 115,900 | 72,000 | 100,260 |
| Water Utility - Insurance | 50,062 | 88,500 | 80,162 | 58,400 |
| Storm Water Utility - Operating | 2,074 | 800 | 102 | 2,772 |
| Fiduciary Funds: | | | | |
| Police Officers' Pension | 155,450 | 645,863 | 794,612 | 6,701 |
| Firefighters' Pension | 211,691 | 510,478 | 722,169 | - |
| Payroll | 135,402 | 9,908,839 | 9,847,030 | 197,211 |
| Totals | <u>\$ 5,003,589</u> | <u>\$ 40,057,438</u> | <u>\$ 37,401,535</u> | <u>\$ 7,659,492</u> |

The accompanying notes are an integral part of the financial information.

CITY OF BEDFORD
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (police and fire), highway and streets, culture and recreation, public improvements, planning and zoning, urban redevelopment, water, wastewater, storm water, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF BEDFORD
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

CITY OF BEDFORD
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 667,320 |
| Buildings | 106,385 |
| Improvements other than buildings | 21,521,360 |
| Machinery and equipment | <u>5,875,396</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 28,170,461</u> |

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Business-type activities: | |
| Water Utility: | |
| Capital assets, not being depreciated: | |
| Land | \$ 27,500 |
| Buildings and Improvements | 20,929,562 |
| Machinery and equipment | <u>420,442</u> |
| Total Water Utility capital assets | <u>21,377,504</u> |
| Wastewater Utility: | |
| Capital assets, not being depreciated: | |
| Land | 27,500 |
| Buildings and Improvements | 13,424,349 |
| Machinery and equipment | <u>422,967</u> |
| Total Wastewater Utility capital assets | <u>13,874,816</u> |
| Total business-type activities capital assets | <u>\$ 35,252,320</u> |

CITY OF BEDFORD
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|-------------------------------------|--------------------------------|---|
| Governmental Activities: | | |
| Capital leases: | | |
| Fire truck | \$ 417,697 | \$ 53,816 |
| Notes and loans payable | 192,573 | 74,155 |
| Bonds payable: | | |
| Revenue bonds: | | |
| Tax increment revenue bonds of 2007 | <u>3,275,000</u> | <u>79,751</u> |
| Total governmental activities debt | <u>\$ 3,885,270</u> | <u>\$ 207,722</u> |
| Business-type Activities: | | |
| Water Utility | | |
| Capital leases: | | |
| Water revolving loan | \$ 4,365,000 | \$ 402,525 |
| Wastewater Utility | | |
| Wastewater revolving loan | <u>3,810,000</u> | <u>380,490</u> |
| Total business-type activities debt | <u>\$ 8,175,000</u> | <u>\$ 783,015</u> |

CITY OF BEDFORD
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

As stated in the prior Examination Report, the Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ACCOUNTS RECEIVABLE RECONCILIATIONS

The detailed accounts receivable reports do not reconcile with the control trial balance reports for the months of July to December 2007. At December 31, 2007, the detail reports showed \$8,148 and \$9,338 more than the control reports for the Water Utility and Wastewater Utility, respectively. These variances started at the same time as a change in the software program and are currently being investigated by management.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BEDFORD
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2008, with Byron L. Buker, President of the Common Council; Shawna M. Girgis, Mayor; and Julie Blackwell-Chase, Clerk-Treasurer. The officials concurred with our findings.